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CREDIT WORK'S ROLE IN THE PROMOTION OF PRODUCTION  
-- COMMUNIST CHINA --

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## FOREWORD

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1. The first step in the process is to identify the problem. This involves gathering information about the situation and understanding the needs of the stakeholders involved.

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CREDIT WORK'S ROLE IN THE PROMOTION OF PRODUCTION  
-- COMMUNIST CHINA --

Following is a translation of an unsigned article in the Chinese-language newspaper Ta Kung Pao, Peiping, 24 May 1960, page 3.

The development of the national economy is closely related to the availability of ample credit. Since bank credit represents one of the most important means for the mobilization and distribution of capital of the state, the impact of credit money on industrial and agricultural output as well as on commodity distribution is determined by the amount of accumulation and its judicious utilization and allocation.

(I)

In a socialist society, it is necessary to regulate the capital funds through bank credit, owing to the presence of commodity production and a market economy. For, at any given time, whether due to seasonal or economic factors, surplus of capital may exist with certain units or sectors while other units or sectors may have a shortage of funds. This phenomenon is equally valid for different public organizations and for people with different occupations. It is precisely to deal with situations like this -- idle funds in one case, financial stringency in the other -- that bank credit becomes essential. By diverting surplus funds to where they are needed through deposit and loan operations, banks perform a most important function in the development of the national economy.

The role played by credit in promoting production has been fully demonstrated in the process of our socialist construction. The fast rate of our industrial growth is a well-known fact. During the First Five-Year Plan period, the total value of industrial and agricultural output rose 1.28 times. The rate of growth was even greater during the great leap forward of 1958 and 1959, namely, 66% and 39%, respectively. In view of such a rapid increase in production, the amount of capital required in the production process naturally became greater. Therefore, in addition to the fixed amount of working capital allotted by the state treasury, a large amount of working capital, either for seasonal or temporary

purposes, had to be obtained from state banks through credit arrangements. Such credits for industry during the First Five-Year Plan rose 2.3 times and played a very significant role in the rapid expansion of production.

During the 1958 and 1959 great industrial leap forward, in order to lend greater support to a leap forward characterized by steel, industrial loans were twice as high. During the last few years industrial credits have been allocated on a basis similar to that of the state production plan, i.e., a simultaneous development of both heavy and light industries, with greater priority given to the former. In this connection, it should be noted that during the 1958 big leap forward, tremendous help was extended to the steel drive in the way of credits which amounted to 2 billion yuan.

Apart from industrial credit, banks also helped to improve commodity distribution between different regions. According to statistics compiled by the provinces and cities of Kiangsu, Shanghai, Shansi, Liaoning, Kirin, Szechwan, Huan, Hupeh, Kwangtung, Shantung, Peiping, Tientsin, and Sian, loans made in 1959 for commodity supply totaled 4.5 billion yuan.

Agriculture is the foundation of the national economy. Agricultural loans made between 1950 and 1959 totaled 27.5 billion yuan (including 9.5 billion yuan in loans made by credit cooperatives). With this financial help, farmers were able to expand production without financial worry. It may be recalled that in 1956, agricultural cooperatives made loans to help poor farmers amounting to 700 million yuan. Such loans rose to 8 billion yuan during 1958 and 1959, (including 4 billion in loans from credit cooperatives).

Since commerce serves as a link between production and consumption, great emphasis has also been placed by banks on commercial credit. In the first few years of our Republic, a considerable amount of credit was extended to state and cooperative commerce with a view to nationalizing trade, enlarging the sphere of state commerce, and eliminating private business and speculators. However, in recent years, the expansion of commercial credits was closely connected with inventory fluctuations of state stores. Meanwhile, through credit operations, analysis of the economic activity of commerce has been strengthened. All these have led to a further rationalization of credit work.

## (II)

What has been our main experience in proper credit operations?

### (A) A broad view of production must be established

One essential point to remember is that we are here to serve production whenever and in whatever way is necessary. In short, credit work does not end with loans. As Chairman Mao once remarked in the Sino-Japanese War, "Insofar as economic and fiscal operations are concerned, all political workers should devote 90% of their time to help promote production and 10% to collect taxes. Because, if sufficient attention has been paid to the former task, the latter will be no problem." He went on to say, "Although financial policies have great impact on the economy, it is the latter which determines the former." This is the best advice we have on the principle and practice of credit operations.

In short, to serve production effectively, credit workers should (a) actively participate in production and organization work, and help solve production problems, (b) improve research work on the economics of enterprises especially by means of comparative studies on production, material supply, fund requirements, and costs among different producing units to uncover their differentials and make necessary adjustments (c) organize liaison between producers, suppliers, and retailers through a credit clearing system, and (d) help promote commodity exchange and technical improvements.

### (B) Close coordination with the Party is essential

The success of credit operation relies heavily on close coordination with the Party. This has been supported by ample empirical evidence.

### (C) The masses must participate in management

To expand industrial output of capital and commodity exchange, we need people of all sectors behind us. Credit workers alone are not enough; they only make loans. It is the entrepreneur and the masses of people who actually utilize them. In fact, the most important part is played by the masses of people, without whose productive effort credit would not serve any useful purpose. This points out the necessity and desirability for the entrepreneur and the masses to play a more active role in credit management because they are the ones alone can make effective use of bank credit.